PUBLIC HEALTH, WELFARE & SAFETY
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Bill No. SB 417

Testimony on SB 417 to the Senate Public Health Committee
February 19, 2007

Mr. Chairman, Senators, I am James Elliott, E L L I O T T, an orthopedic surgeon from Billings with hospital privileges at St. Vincent's Hospital, the Billings Clinic, Beartooth Community Hospital in Red Lodge, Glendive Community Hospital as well as the Yellowstone Surgical Center. I am testifying in opposition of Senate Bill 417, which would extend the moratorium on Specialty Hospitals. I represent the Montana Orthopedic Society of which I am the vice president. The MOS services close to 150 orthopedic surgeons in Montana which are distributed throughout the state.

The question at debate today is whether to continue the moratorium on Specialty Hospitals in Montana after the planned termination this June as set by the last session of the Montana legislature. This bill set the termination date as one that would be six months past the termination of the federal moratorium, which occurred on January 1, 2007. The initial eighteen month moratorium on the Federal level was initiated in 2003 as the Medicare Modernization Act of 2003 mandating that the Department of Health and Human Services and the Medicare Payment Advisory Commission undertake studies to evaluate both the impact specialty hospitals may have on large general acute care hospitals and to study the Medicare Payment System.

This was then extended until January 1, 2007, not because of concern of the affect on the general hospital but in order so CMS could have time to change the current Medicare payment system. The HHS and MedPAC studies showed the financial impact on community hospitals has been limited and the profitability of general hospitals has remained stable. They also found that from a health delivery cost both Specialty Hospitals and ASC's were substantially more efficient and the final decision was to attempt to push more cases and Medicare/Medicaid patients into this form of health care. Thus, the moratorium was lifted. No action was taken on the Medicare Payment System.

It is our desire that there be no extension to this moratorium in the State of Montana.

Why the interest in Specialty Hospitals?

The drive toward establishing ASC's and Specialty Hospitals are driven by the same factors, the least of which is physician greed.

-Hospitals not being able to meet the current surgical demands on the basis of capacity, staff and equipment specialization, and patient and surgeon satisfaction. Long turn-over times limit productivity
-Patient satisfaction
-Physician Satisfaction
-Cost Savings in delivering health care

We were faced with these problems and were able to establish a joint venture with St. Vincent's Hospital for a four room ASC that provided surgical services and pain management. We have had excellent patient satisfaction and performed 7000 procedures last year, which the hospital would not have been able to absorb as it is currently at maximum capacity, straining both the ability to adequately service elective surgeries as well as emergent and trauma cases. It has been such a positive environment to the physicians, hospitals, payers and most importantly the patients we are currently expanding our capacity. Along these lines, we would like to offer expanded services to procedures that require extended stays which currently we can't as an ASC. A Specialty Hospital

would allow for this to happen. We could offer increased cost savings, decreased hospital stays and increased patient satisfaction to a larger portion of the population, just as the federal government desires.

Specialty Hospitals are good for patients as care can be specialized. HHS study
- -Mortality rates are significantly better for specialty Hospitals than for competitor Hospitals, even with adjustment for acuity.
- -Complication rates at specialty hospitals are lower – 3-5 X
- -Nurse to patient ratios are better at specialty hospitals
- -Patients value the amenities provided - family accommodations, nursing staff accessibility and specialization.
- -Specialty hospitals lead to lower costs and better efficiency and allow for consumer driven healthcare.

Specialty Hospitals are good for Physicians
- -Put patient care back into the hands of the physicians as the governance allows for it. This allows for improving the quality of care provided, improve productivity and make hospitals more convenient to them and their patients.

Specialty Hospitals are good for communities
- -Provide charity care, uncompensated care and tax payments (Unlike non-for-profit hospitals who do not add to the local tax base of there communities)
- -Strengthen the local medical community by providing a means to recruit and retain top quality providers, expand with technological advancements.

Why the Opposition to Specialty Hospitals?

Concerns over the effect on existing hospitals, cherry picking of cases by specialty hospitals, unequal playing fields. I think it is relevant that the majority of testimony you will hear from physicians are by Montana natives that were raised in this state, educated in Montana and have a genuine appreciation and concern for the community hospitals.

These are legitimate concerns. We feel that Specialty Hospitals should be held to the same standard of charity cases and bad debt write-off as the existing community hospitals, and must play by the rules as far as treating Medicare and Medicaid patients. About ¼ of the revenue on an annual basis by Specialty Hospitals across the country originate from these payers. The 2005 HHS study showed no evidence that physicians with an investment interest in a specialty hospital inappropriately refer patients.

There is ample evidence about the effect on the community hospitals from studies federally, at the state level in states further along with the entity of Specialty Hospitals and locally. The Wyoming Legislature financed a study to analyze the effects in its State. The Center for Studying Health System Change conducted a study with the following conclusions
- Specialty hospitals would likely emerge in areas with at least 50,000 people
- Would provide improved quality for patients
- The stakeholders recommendations

- Specialty Hospitals accept a certain % of uninsured/Medicaid patients
- Subsidize indigent care

In a perfect situation, specialty hospitals would arise out of cooperation between existing hospitals and physicians. However, this is not possible in some communities in Montana currently, of which you will hear. By not extending the moratorium and providing a competitive monopoly to the existing hospitals it may be possible to improve hospital/physician relationships as both sides may find that they have to work together. This would only be a benefit to the health care consumers of Montana. Please do not limit their choices in health care or exclude certain communities from the potential benefit of specialty hospitals. Competition is good for the consumer.

In summary, we oppose this extension on the basis that the federal moratorium was allowed to expire suggesting that the federal government feels that specialty hospitals have proven to provide a high level of quality care for patients at a lower cost to society.

The effects on general acute care hospitals has been studied at the federal level, the state level nationally as well as a recent regional study conducted in Wyoming; all of which show minimal affect on the general hospital. The hospital association was able to extend the moratorium in the last session, but there has been no attempt to perform any studies in Montana.

We strongly feel that healthy competition equals healthy consumers. Consumers want high-quality, affordable, accessible health care, and the challenge of providing it requires new strategies. We ask you to vote against extending then moratorium prohibiting specialty hospitals in Montana.

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All studies cited in this testimony available electronically.